

# Indiana

## Development Finance Authority

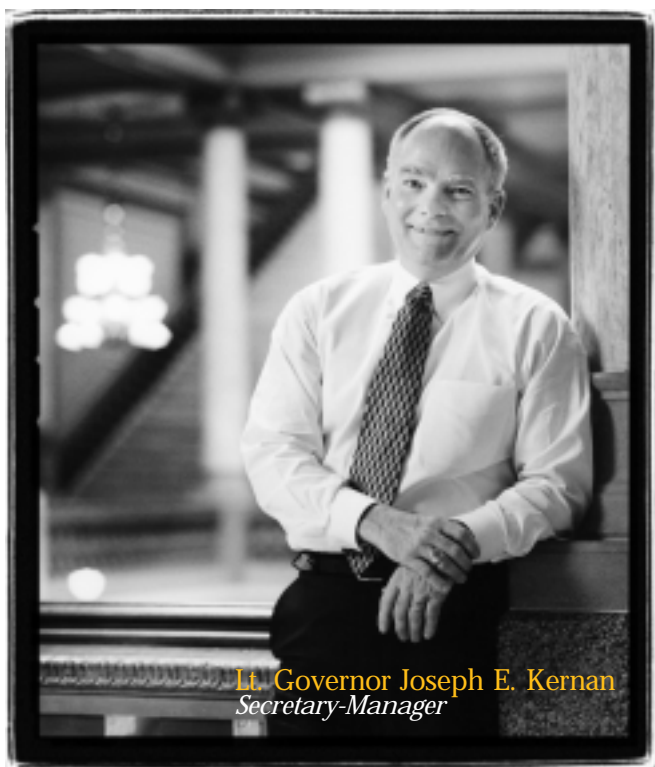
### *Loan Guaranty Program*

The IDFA can guarantee loans for high-growth/high-tech companies, manufacturers, rural development projects, value-added agricultural enterprises and other types of businesses that create or retain a significant number of Hoosier jobs.

The IDFA's Guaranty Program is flexible and can be tailored to meet the needs of many Indiana businesses. The guaranty is often used creatively in conjunction with other funding sources and enhancement programs.

For rural development and value-added agricultural projects, the maximum guaranty is \$300,000. The guaranty may be slightly larger for high-growth/high-tech companies and manufacturing projects. The IDFA guaranty may be from 75%-90% of the principal balance of the loan, depending on the collateral and capacity of the fund. Guarantees are reviewed by the IDFA's Loan Committee and Board. The IDFA can use its Guaranty Program to partner with other participants, reducing the lender's overall exposure.

The Agricultural and Rural Development Project Guaranty Fund has also been used to guarantee seed capital for microloan programs, assisting rural companies and helping communities create local capacity.



*The Indiana Development Finance Authority works hard to provide Indiana businesses with a variety of financing tools and credit enhancement opportunities. We continuously update our programs to adapt to Indiana's new economy.*

*Throughout this brochure and by using the IDFA web site, you will learn more about the Indiana Development Finance Authority and the many programs it supports. Led by Governor Frank O'Bannon and myself, the IDFA is committed to helping Indiana businesses and communities grow and prosper. We thank you for your interest in the IDFA, and look forward to working with you in the future.*

*Joseph E. Kernan*

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### *Programs*

#### *CAPITAL ACCESS PROGRAM*

- Small business "access to capital" program which targets high-growth/high-tech companies, minority-owned businesses and child care facilities

#### *BROWNFIELDS REDEVELOPMENT PROGRAM*

- Grants for Phase I and II site investigation
- Low-interest (2.5% - 3.0%) loans for remediation
- Stakeholder education and technical assistance
- Grants for petroleum remediation

#### *VOLUME CAP PROGRAM*

- Indiana's approximately \$440 million capacity to issue private activity bonds, competitively awarded based on jobs created, jobs retained, wages, capital investment, project location, dedication to low-income housing and other factors

#### *TAX-EXEMPT BOND PROGRAM*

- Industrial revenue bonds, refunding bonds and 501(c)(3) bonds issued monthly

#### *SMALL BOND PROGRAM*

- Access to the tax-exempt market for transactions under \$1 million, including manufacturing projects, agricultural bonds and certain not-for-profit organizations, such as child care facilities

#### *LOAN GUARANTY PROGRAM*

- Flexible, principal balance guarantees which support growing manufacturing, high-technology businesses, rural development projects and value-added agricultural projects



# *Small Bond Program*

Manufacturing companies and certain not-for-profit organizations with financing needs of \$1 million or less may qualify for the IDFA's Small Bond Program. The Program offers reduced time frames, reduced fees and less paperwork to qualifying companies. Smaller companies may find it easier to access the tax-exempt market with the IDFA's Small Bond Program, where participating banks purchase and hold the bonds.

## **PROGRAM HIGHLIGHTS**

- Financing of \$1 million or less
- Manufacturing or 501(c)(3) projects
- Bank negotiates the terms, including interest rates
- Interest rates negotiable; average is 80-85% of prime rate
- Very low cost of issuance

## ***Agricultural Financing***

*The Small Bond Program also features an agricultural tax-exempt bond to assist first-time farmers in financing certain capital assets. Up to \$250,000 is available per farmer, and the IDFA has made up to \$10 million in Volume Cap available per year for Agricultural Bonds.*

## ***Child Care Financing***

*The IDFA can issue pooled or stand alone child care bonds to assist licensed Indiana child care providers and licensed 501(c)(3) entities in financing long-term capital debt less expensively.*

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### *TAX-EXEMPT AND TAXABLE BOND PROGRAM'S*

Private Activity Bonds, often called Industrial Revenue Bonds, or IRBs, are bonds issued by state or local governmental entities for the benefit of a private company. Interest on the bonds is generally exempt from federal income taxes for investors, which typically results in lower long-term interest rates to the borrower.

The IDFA can issue bonds to finance qualified manufacturing facilities and equipment, pollution control facilities and other projects permitted under federal law. Manufacturing companies can save significant interest costs by using tax-exempt bonds to finance equipment purchases, land acquisition and construction.

Depending on interest rates, some companies may decide to use taxable bonds for financing needs. IDFA can partner with organizations such as the Federal Home Loan Bank to make taxable bonds a viable option for certain companies.

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*Tax-exempt financing promotes economic development,*  
**HIGHER PAYING JOBS AND COMPETITIVE BUSINESS**  
*practices across Indiana.*

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#### **Not-For-Profit Financing**

The IDFA can also issue tax-exempt bonds for certain 501(c)(3) entities, including child care facilities, educational and cultural institutions. Examples of past transactions include the Indiana Historical Society, the NCAA, Goodwill Industries, Culver Educational Foundation, University High School, Stone Belt Center, Michigan City Childcare Consortium and the Indianapolis Museum of Art. Borrowing for capital expenses at a lower rate can achieve significant cost savings for not-for-profit organizations. The IDFA can also refund bonds issued by the IDFA or local issuers to reduce long-term interest costs to the borrower.



## *Capital Access Program (CAP)*

The Capital Access Program (CAP) is a small business credit enhancement program that creates a specific cash reserve fund for the lender to use as additional security for loans enrolled in the Program. The CAP allows lenders to consider making slightly riskier loans that might not meet conventional lending requirements.

Under the Program, the borrower, the lender and the IDFA each contribute a percentage of the loan into the lender's reserve fund, which pools contributions from all CAP loans. The lender determines whether a loan is made, the interest rate, the terms and conditions and the amount contributed to the reserve fund (1.5% to 3.5% of the loan). The borrower pays its portion, the lender matches that amount and the IDFA matches the combined total. The IDFA match is increased to one and one-half times for lenders with less than \$2 million in total loan volume enrolled in the CAP. The CAP is very flexible and simple for lenders to use.

*Visit the IDFA's web-site at [www.in.gov/idfa](http://www.in.gov/idfa) for updated information or to review the economic development impacts of the Capital Access Program.*

### *IDFA's contribution **DOUBLES** when :*

- The business is owned and operated by a minority borrower

### *IDFA's contribution **TRIPLES** when:*

- The business is a high-growth/high-tech company paying high wages to skilled workers
- The business is a licensed child care facility

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### *Brownfields Redevelopment Program*

IDFA is the administrator of Indiana's Environmental Remediation Revolving Loan Fund, also known as Indiana's Brownfields Fund, which was created in 1997 by the Indiana General Assembly. In cooperation with the Indiana Department of Environmental Management (IDEM), local governments, developers, environmental consultants and other interested parties, the Brownfields Fund plays an important role in financing redevelopment projects statewide.

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#### *BROWNFIELDS ARE LOCATED IN MOST IF NOT EVERY, INDIANA, COMMUNITY*

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Brownfields – defined as property that is abandoned or underutilized due to the actual or perceived presence of environmental contamination – are located in most, if not every, Indiana community.

As cities, towns and counties across Indiana grapple with maintaining and strengthening their economic development efforts, problems related to unplanned or uncontrolled community growth are also moving to the forefront of community awareness. Fortunately the concept of brownfields redevelopment provides a convenient and intuitive nexus for bolstering economic development and addressing urban sprawl. Through site assessment and remediation, brownfields have been successfully transformed into thriving businesses that add to the tax base, or into community facilities or valuable parks and greenspaces.

#### **Program Highlights**

Financial assistance for cities/towns/counties and property owners\*:

- Grants (up to \$50,000) for environmental site investigations
- Grants (up to \$250,000) for petroleum remediation
- Loans (2.5% to 3.0% interest rate) for remediation and/or demolition
- Partnership opportunities for private sector developers to receive financial assistance
- \*State tax credit to individuals completing voluntary remediation projects



# *Volume Cap Program*

The IDFA allocates Indiana's private activity bond volume, or "Volume Cap". An award of volume cap gives Indiana companies access to low cost, long-term financing, enabling businesses to be more competitive. All issuers statewide apply to the IDFA for Volume Cap, which is awarded on a competitive basis under the IDFA's Volume Cap Guidelines.

## **Manufacturing and Exempt Facility Financing**

Approximately half of the annual volume cap allocation is available for manufacturing projects and exempt facility projects that are part of manufacturing facilities. For manufacturing projects, the IDFA awards approximately 10% of the Cap each month, January through October. Projects are scored objectively based on new jobs created, jobs retained, the wages of the jobs (in relation to the county average), the amount of capital investment and the dollars of Volume Cap used per job. The IDFA also considers the location of the project (disadvantaged counties are favored) and other issues, such as whether the company is a high-growth firm with its headquarters in Indiana, if it is providing advanced training and other opportunities for its employees, and whether the financing allows the company to utilize new processes or markets. Monthly awards are posted on the IDFA's website [www.in.gov/idfa](http://www.in.gov/idfa)

## **Housing Financing**

Volume Cap is awarded competitively for low-income, multi-family housing transactions; projects are scored by the Indiana Housing Finance Authority pursuant to IHFA's most recent QAP and awarded by the IDFA.

Volume Cap is also used by the Indiana Housing Finance Authority for single family housing program. For more information on housing financing, see [www.in.gov/ihfa](http://www.in.gov/ihfa)

The demand for Volume Cap has been high in recent years; Indiana has used all of its Volume Cap allocation each year since 1995.

### **WHAT IS VOLUME CAP?**

"Volume Cap" is the amount of tax-exempt financing for certain types of private companies allowed in a state in a calendar year. It is a measure of capacity and is based on a state's population. A company must obtain an award of Volume Cap before it can have tax-exempt bonds issued for its project.